

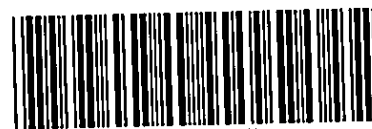
**Takao Europe Manufacturing Limited**

**Directors' report and financial  
statements**

Registered number 3249892

31 December 2008

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

### **Principal activities**

The principal activities of the company are pressings and assembly manufacture and the manufacture of press tooling for the automotive industry.

### **Business review**

During 2008 Takao Europe Manufacturing (TEM) further strengthened its position with parts sales of £87.7 million and Operating profit of 12.5%, achieving an increased turnover whilst maintaining a level operating profit ratio. This being the strongest financial year since it was established in 2001. The financial performance was also enhanced by achieving both "best class" quality and delivery status from both customers, Honda also recognised TEM's strong commitment for Cost Management and Business Development. Toyota recognised TEM's commitment for project management. As a whole, TEM's business has been extremely strong through periods 1- 9 during 2008, however periods 9 -12 show extreme volume reduction from both customers due to the economic downturn.

### *Sales Overview – 2008*

There was one major new model introduction during 2008, the new Toyota Avensis model – TEM increased their business content on the new model by 45% over previous model. The timing of this introduction (October) considerably supported the falling volumes on their other models. This model also supported a high level of tooling sales and underpinned the continued robustness in a difficult final quarter.

Honda sales remained buoyant during 2008; however it is understood that during 2009 there will be a 4 month production suspension due to overstock – and therefore realigning the advanced sales that were enjoyed during 2008.

The sales profile for the year shows an increase in Toyota share within the two customer base, Honda and Toyota accounting for 50/50 split. The 2008 Toyota sales of £41.5 million continued to demonstrate TEM's strategic business growth with this customer.

### *Financial ratios*

Increased Raw Material cost during 2008 impacted the materials to cost ratio, which was greater than 48% and the average raw material price increase was 12%. Labour costs ratio decreased as a result of improved efficiency through the introduction of TWD small parts division and process optimisation. Significant activity throughout the year on improved production control and stock reduction within steel ordering and child part stock have significantly changed the stock valuation profile, leading to a W.I.C decrease of 35%

### *Future risks and planning*

2009 forecasts extreme volume reduction for both customers – turnover is forecasted to be 40% on 2008 level. Cost control measures have already been implemented in line with the reduced volume.

Limited exposure now exists on 2<sup>nd</sup> tier security as TEM continues its consolidation of supplier into its own new facility in Wales – in house production ratio is at 98%. This activity also supports the strategy to limit any exchange effect with the localisation of imported parts – plan import content is 0% by 2010.

Within this risk there is opportunity for both TEM / TWD – both companies are strategic for Honda in their supplier risk activity – already securing business from the Wagon and MPG group companies consequent on their going into administration.

The expansion of the TWD manufacturing facility has been completed and operational on 2 shift basis. TEM's current press facility is focused on large capability within the transfer section (2500 tonne, 1800 tonne and 1500 tonne). This capability has been extended to encompass 1000 tonne and 800 tonne transfer presses and this will therefore extend the range of equipment with an improved cost base.

### *Non-financial Key Performance Indicators (KPI)*

TEM's main KPI's are aligned with customer expectations, namely quality, cost and delivery:-

#### *Honda*

- Quality KPI's are to obtain "Best Class" status, and achieve below 25 parts per million failure, on both of these measures we achieved target.
- Delivery - nil mis-label, below 200 parts per million failure and nil downtime, and again on all these items we achieved target.
- Cost – request to support annual cost reduction activities on the Honda CRV& Civic model. This cost target was achieved during 2008.

#### *Toyota*

- Quality KPI's are to obtain "OK" Status on quality problem reporting, and achieve below 50 parts per million failure. On both of these measures we achieved target.
- Delivery - nil mis-label, below 200 parts per million failure and nil downtime. Again on all these items we achieved target.
- Cost – request to support annual cost reduction activities on all models. This cost target was achieved.

#### *Internal*

- Supporting the manufacturing KPI's – including internal measure for safety and project management.
- **Inventory reduction** – Raw material inventory reduction activity was a major focus for 2008 achieving a 35% reduction on raw material and 50 % reduction on child part inventory.
- **Manpower Re-alignment** -As a business we reached a peak workforce of 493 in November 2007. However due to a combination of a cautious outlook on mid-term sales and efficiency improvement activities a decision was made to realign the business and reduce headcount during 2008. This was done in three phases and resulted in a reduction across both sites to an overall headcount of 440. This was a reduction of 53 staff, achieved through natural attrition and active management. Unfortunately towards the end of Q3 2008, wider economic pressures had impacted significantly on our sales and a further reduction in headcount was required. For the first time in our history we had to consider redundancies, however we initially looked at the following alternatives:

##### **1) Active Management**

This resulted in a small reduction in staff, achieved through natural attrition and very close personnel management.

##### **2) Re-deployment Opportunities:**

Up to 32 opportunities were identified and internal interviews took place to identify appropriate candidates. Over 75% of our whole workforce applied for at least one re-deployment role.

##### **3) Voluntary Redundancy:**

We wanted to give all of our employees an informed opportunity to work with us to achieve our headcount reduction, and we consequently tailored our VR package to enable those who wished to leave the business, to be supported at the level to which they were accustomed for a reasonable length of time, allowing them the time to find alternative employment.

97% of the employees who decided to take VR wanted to be placed on a re-recruitment list.

##### **4) Severance Packages:**

As part of this process, through compromise agreements, we also concluded a number of PI claims and resolved the few long-term absentee issues we had.

This overall approach enabled us to retain the vast majority of our technical skills within the business and through the expiration of third party service provision we were able to offer a number of re-deployment roles, ultimately retaining more of our employees within the business, with the distinct opportunity of improving our VFM and output from these roles.

### Results and dividends

The audited accounts for the year ended 31 December 2008 are set out on pages 7 to 22. The profit for the year after taxation was £7,589,000 (2007: £6,223,000). A dividend of £601,000 was paid during the year (2007 £0).

### Directors and directors' interests

The directors who held office during the year were as follows:

Hiroyuki Takao

Shiro Shimogaki

Nicholas Thomas

None of the directors serving at the year end had any beneficial interest in the shares of the company or parent company required to be disclosed under Schedule 7 of the Companies Act 1985.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

下 田 司 郎  
S Shimogaki  
Director

Gloucester Business Park  
Golf Club Lane  
Brockworth  
Gloucestershire  
GL3 4AJ

18/08/09

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

### **Independent auditors' report to the members of Takao Europe Manufacturing Limited**

We have audited the financial statements of Takao Europe Manufacturing Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the reconciliation of net cash flow to the movement in net debt, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Takao Europe  
Manufacturing Limited (*continued*)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

  
**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*15 May* 2009



**Profit and loss account**  
*for year ended 31 December 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
<b>Turnover</b>	2	87,691	77,724
Cost of sales		(66,050)	(58,597)
<b>Gross profit</b>		<b>21,641</b>	<b>19,127</b>
Distribution costs		(344)	(331)
Administrative expenses		(10,466)	(8,986)
<b>Operating profit</b>		<b>10,831</b>	<b>9,810</b>
Interest receivable and similar income	5	233	14
Interest payable and similar charges	6	(522)	(515)
		<b>(289)</b>	<b>(501)</b>
<b>Profit on ordinary activities before taxation</b>	3	<b>10,542</b>	<b>9,309</b>
Tax on profit on ordinary activities	7	(2,953)	(3,086)
<b>Profit on ordinary activities after taxation</b>	17	<b>7,589</b>	<b>6,223</b>

The movement on reserves is shown in note 17.

The result for the period has been derived from continuing operations and includes all recognised gains and losses arising in the year.

The accompanying notes are an integral part of this profit and loss account.

**Balance sheet**  
*at 31 December 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>£000</b>	<b>2007</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		38,290		34,617
<b>Current assets</b>					
Stocks	9	5,307		6,803	
Debtors	10	6,302		7,234	
Cash at bank and in hand		5,312		5,885	
		<u>16,921</u>		<u>19,922</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(12,989)</u>		<u>(15,717)</u>	
<b>Net current assets</b>			<u>3,932</u>		<u>4,205</u>
<b>Total assets less current liabilities</b>			<u>42,222</u>		<u>38,822</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(704)		(3,874)
<b>Provisions for liabilities and charges</b>	13		(2,084)		(2,501)
<b>Net assets</b>			<u>39,434</u>		<u>32,447</u>
<b>Capital and reserves</b>					
Called up share capital	15		12,014		12,014
Profit and loss account	17		27,420		20,433
<b>Equity shareholders' funds</b>	16		<u>39,434</u>		<u>32,447</u>

These financial statements were approved by the board of directors on 18/03 2009 and were signed on its behalf by:

下土岡 邦  
S Shimogaki  
Director

**Cash flow statement**  
*for the year ended 31 December 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Net cash inflow from operating activities	<i>18a</i>	17,537	4,530
Returns on investments and servicing of finance	<i>18b</i>	(289)	(501)
Taxation		(3,096)	(2,906)
Capital expenditure	<i>18b</i>	(9,552)	(6,692)
Cash inflow/(outflow) before financing		4,600	(5,569)
Equity dividends paid		(602)	-
Financing	<i>18b</i>	(4,571)	1,482
Decrease in cash in the year		(573)	(4,087)

**Reconciliation of net cash flow to movement in net debt (note 18c)**

	<b>£000</b>	<b>£000</b>
Decrease in cash in the year	(573)	(4,087)
Net cash inflow/(outflow) from changes in debt and lease financing	5,135	(1,072)
Net cash outflow from changes in debt and lease financing	(564)	(410)
Movement in net debt in year	3,998	(5,569)
Net (debt)/cash at the start of the year	(2,605)	2,964
Net cash/(debt) at the end of the year	1,393	(2,605)

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### *Basis of accounting*

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent upon loans to fund its working capital. These loans are and will be in the future secured against guarantees offered by the parent company Takao Kinzoku Kogyo Company Limited. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

#### *Turnover*

Turnover represents amounts receivable for the supply of manufactured vehicle components, including tooling, provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	-	10 to 50 years
Computer equipment	-	2 to 5 years
Motor vehicles	-	4 years
Fixtures, fittings, tools and equipment	-	5 to 10 years
Presses	-	12 to 15 years
Assembly equipment	-	8 years

No depreciation is provided on land

Residual value is calculated on prices prevailing at the date of acquisition.

#### *Finance leases*

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

#### *Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### *Foreign currency*

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

#### *Taxation*

UK corporation tax is provided at amounts expected to be paid using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Research and development*

Research and development expenditure is written off as it is incurred.

#### *Pension costs*

The company operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

### 2 Turnover

Turnover was derived from the company's principal activities which were carried out wholly in the UK:

	2008 £000	2007 £000
Pressings and assembly manufacture	74,302	69,539
Manufacture of press tooling	13,389	8,185
	<hr/> 87,691	<hr/> 77,724

## Notes (continued)

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2008 £000	2007 £000
Depreciation of tangible fixed assets:		
- owned	5,199	4,342
Loss on disposal of fixed assets		
Operating lease rentals:	679	8
- plant and machinery	381	338
- other	914	827
Auditors' remuneration, including expenses:		
- audit of financial statements of the company pursuant to legislation	51	59
- other services relating to taxation	62	25
	<u>6,617</u>	<u>5,591</u>

### 4 Directors' emoluments and staff costs

#### Directors' remuneration

Directors' remuneration was as follows:

	2008 £000	2007 £000
Emoluments	211	318
Performance related bonuses	54	63
Company contributions to money purchase pension schemes	5	6
	<u>270</u>	<u>387</u>

No retirement benefits were accruing to any of the directors (2007: Nil) under the money purchase pensions scheme.

#### Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2008 £000	2007 £000
Emoluments	<u>183</u>	<u>169</u>

## Notes (continued)

### 4 Directors' emoluments and staff costs (continued)

#### Staff costs

The average number of employees (including executive directors) was:

	Number of employees	
	2008	2007
Production	423	422
Administration, sales and distribution	38	26
	<u>461</u>	<u>448</u>

Their aggregate remuneration comprises:

	2008	2007
	£000	£000
Wages and salaries	10,194	10,008
Social security costs	902	926
Other pension costs (note 20)	125	116
	<u>11,221</u>	<u>11,050</u>

### 5 Interest receivable and similar income

	2008	2007
	£000	£000
Interest receivable from group undertakings	233	14
	<u>233</u>	<u>14</u>

### 6 Interest payable and similar charges

	2008	2007
	£000	£000
Interest payable on bank loans and overdrafts	522	515
	<u>522</u>	<u>515</u>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in year

	2008 £000	£000	2007 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	3,367		2,972	
Adjustments in respect of previous years	4		28	
		3,371		3,000
Deferred tax (see note 13)				
Origination and reversal of timing differences	(540)		70	
Adjustments in respect of previous years	122		16	
		(418)		86
Tax on profit on ordinary activities		2,953		3,086

#### Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax in the UK (28.5%, 2007 30%). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	10,542	9,309
Current tax at 28.5 % (2007: 30%)	3,004	2,792
<i>Effects of:</i>		
Expenses not deductible for tax purposes	17	386
Capital allowances for period in excess of depreciation	550	(203)
Income not taxable for tax purposes – fixed assets	(204)	-
Adjustment in respect of previous periods	4	28
Other short term timing differences	-	(3)
Total current tax charge (see above)	3,371	3,000



## Notes (continued)

### 8 Tangible fixed assets

	Leasehold improvements £000	Land and Buildings £000	Press and assembly equipment £000	Other plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
<b>Cost</b>						
At beginning of year	14,132	1,300	40,421	3,776	997	60,626
Additions	1,780	-	7,294	500	53	9,627
Disposals	-	-	(3,746)	(1)	(51)	(3,798)
At end of year	15,912	1,300	43,969	4,275	999	66,455
<b>Depreciation</b>						
At beginning of year	1,140	67	22,116	1,926	760	26,009
Charge for year	407	41	4,223	444	84	5,199
Disposals	-	-	(3,015)	-	(28)	(3,043)
At end of year	1,547	108	23,324	2,370	816	28,165
<b>Net book value</b>						
At 31 December 2008	14,365	1,192	20,645	1,905	183	38,290
At 31 December 2007	12,992	1,233	18,305	1,850	237	34,617

The value of freehold land not depreciated at 31 December 2008 was £263,000 (2007: £263,000)

### 9 Stocks

	2008 £000	2007 £000
Raw materials and consumables	2,321	3,804
Work in progress	2,880	2,868
Finished goods	106	131
	5,307	6,803

**Notes (continued)**

**10 Debtors**

	2008 £000	2007 £000
<i>Amounts falling due within one year</i>		
Trade debtors	5,853	6,548
Prepayments and accrued income	449	686
	<u>6,302</u>	<u>7,234</u>

**11 Creditors: amounts falling due within one year**

	2008 £000	2007 £000
Bank loans and overdrafts (see note 12)	3,215	4,616
Trade creditors	2,829	6,327
Amounts owed to group undertakings	1,513	1,568
Taxation and social security	883	334
Other creditors	1,173	743
Corporation tax	1,896	1,622
Accruals and deferred income	1,422	252
Payments on account	58	255
	<u>12,989</u>	<u>15,717</u>

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans	704	3,874
Borrowings are repayable as follows:		
	2008 £000	2007 £000
<b>Bank loans and overdraft</b>		
In one year or less, on demand (see note 11)	3,215	4,616
Between one and two years	704	3,874
Between two and five years	-	-
	<u>3,919</u>	<u>8,490</u>
<b>Total external borrowing including finance leases</b>		
In one year or less, on demand	3,215	4,616
Between one and two years	704	3,874
Between two and five years	-	-
	<u>3,919</u>	<u>8,490</u>

There are three bank loans:

Date of drawdown	Year end balance	Repayment terms	Year of repayment	Interest
29 June 2007	£1,200,000	Equal instalment	2009	LIBOR plus 0.75%
19 December 2007	£1,200,000	Equal instalment	2010	6.45% (fixed)
31 March 2008	£1,518,692	Equal instalment	2010	5.06% (variable)

Letters of undertaking from Takao Kinzoku Kogyo Company Limited have been accepted by the bank as security against the loans.

## Notes (continued)

### 13 Deferred taxation

	2008 £000	2007 £000
The company's liability in respect of deferred taxation is as follows:		
Accelerated capital allowances	2,089	2,507
Short term timing differences	(5)	(6)
	<u>2,084</u>	<u>2,501</u>
Deferred tax provision brought forward	2,501	2,415
Deferred tax (credit)/charge in the profit and loss account (see note 7)	(418)	86
Rounding adjustment	1	-
	<u>2,084</u>	<u>2,501</u>
Deferred tax provision carried forward		

### 14 Financial commitments

Capital expenditure sanctioned by the directors at 31 December 2008 but not provided for within these accounts was £Nil (2007: £7,601,000).

Annual commitments under non-cancellable operating leases are as follows:

	2008 Land and Buildings £000	Other £000	2007 Land and Buildings £000	Other £000
Expiry date				
In two years or less	55	155	35	169
Between one and five years	-	226	20	169
After five years	859	-	772	-
	<u>914</u>	<u>381</u>	<u>827</u>	<u>338</u>

### 15 Called up equity share capital

	2008 £000	2007 £000
<b>Authorised</b>		
15,500.00 ordinary shares of £1 each (2007: 15,500,000)	15,500	15,500
<b>Allotted, called up and fully paid</b>		
12,014,023 ordinary shares of £1 each (2007: 12,014,023)	12,014	12,014

**Notes (continued)**

**16 Reconciliation of movements in equity shareholders' funds**

	2008 £000	2007 £000
Retained profit for the year and net addition to shareholders' funds	6,987	6,223
Opening equity shareholders' funds	32,447	26,224
Closing equity shareholders' funds	39,434	32,447

**17 Profit and loss reserve**

	2008 £000	2007 £000
Opening profit and loss reserve	20,433	14,210
Profit for the year after taxation	7,589	6,223
Dividends paid	(602)	-
Closing profit and loss reserve	27,420	20,433

**18 Cash flow information**

*a) Reconciliation of operating profit to net cash inflow from operating activities*

	2008 £000	2007 £000
Operating profit	10,831	9,810
Depreciation	5,199	4,342
Loss on disposal of fixed assets	680	8
Decrease/(Increase) in stocks	1,496	(1,303)
Decrease/(Increase) in debtors	932	(1,116)
Decrease in creditors	(1,601)	(7,211)
Net cash inflow from operating activities	17,537	4,530

## Notes (continued)

### 18 Cash flow information (continued)

#### b) Gross cash flows

	2008 £000	2007 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	233	14
Interest paid	(522)	(515)
	<u>          </u>	<u>          </u>
Net cash outflow	(289)	(501)
	<u>          </u>	<u>          </u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(9,627)	(6,692)
Receipts from the sale of tangible fixed assets	75	-
	<u>          </u>	<u>          </u>
	(9,552)	(6,692)
	<u>          </u>	<u>          </u>
<b>Financing</b>		
Decrease/(increase) in bank loan	5,135	(1,072)
Increase due to exchange movements	(564)	(410)
	<u>          </u>	<u>          </u>
	4,571	(1,482)
	<u>          </u>	<u>          </u>

#### c) Net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash at bank and in hand	5,885	(573)	5,312
	<u>          </u>	<u>          </u>	<u>          </u>
Debt due within one year - bank	(4,616)	1,401	(3,215)
	<u>          </u>	<u>          </u>	<u>          </u>
Debt due after one year - bank loan	(3,874)	3,170	(704)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total net (debt)/cash</b>	(2,605)	3,998	1,393
	<u>          </u>	<u>          </u>	<u>          </u>

## Notes (continued)

### 19 Related party transactions

#### Controlling parties

Takao Europe Manufacturing Limited is a wholly owned subsidiary of Takao Kinzoku Kogyo Company Limited.

Takao Kinzoku Kogyo Company Limited is a company incorporated in Japan.

Honda Japan owns 43.2% of the share capital of Takao Kinzoku Kogyo Company Limited.

#### Transactions during the year

During the year the principal related party transactions were as detailed below:

Sales and purchases with related companies were as follows:

	Sales/recharges by Takao Europe Manufacturing Limited			
	Tooling or component sales		Recharges	
	2008 £000	2007 £000	2008 £000	2007 £000
Takao Kinzoku Kogyo Company Limited	-	-	27	109
Takao Thailand	6	14	-	-
Honda UK	41,210	41,172	-	-
Honda Logistics	110	67	-	-
	<u>41,326</u>	<u>41,253</u>	<u>27</u>	<u>109</u>
Total related party transactions	<u>41,326</u>	<u>41,253</u>	<u>27</u>	<u>109</u>

	Purchases/recharges by Takao Europe Manufacturing Limited			
	Tooling, capital or component purchases		Recharges	
	2008 £000	2007 £000	2008 £000	2007 £000
Takao Kinzoku Kogyo Company Limited	8,385	4,658	184	148
Takao Eastern	-	14	-	-
Takao Property Europe Limited	-	-	859	772
Takao America	611	689	-	-
Honda Trading	19,310	12,545	-	-
	<u>28,306</u>	<u>17,906</u>	<u>1,043</u>	<u>920</u>
Total related party transactions	<u>28,306</u>	<u>17,906</u>	<u>1,043</u>	<u>920</u>

Recharges to Takao Europe Manufacturing Limited from Takao Kinzoku Kogyo Company Limited relate to salaries of certain employees. Recharges from Takao Property Europe Limited relate to rent on property.

## Notes (continued)

### 19 Related party transactions (continued)

#### Year end balances

Total amounts due from and payable to related parties are disclosed in notes 10 and 11 of these accounts as follows:

	2008 £000	2007 £000
<i>Amounts due from:</i>		
Subsidiaries within the Honda Group	2,743	3,556
<i>Amounts payable to:</i>		
Subsidiaries within the Takao Kinzoku Kogyo Group	1,513	1,568
Subsidiaries within the Honda Group	1,006	2,005

Amounts due from and payable to subsidiaries within the Honda Group are disclosed within trade debtors and trade creditors in notes 10 and 11.

The company rents its premises in Gloucester from Takao Property Europe Limited, a related party. During 2008 the company paid £859,000 (2007: £772,000) to Takao Property Europe Limited in this respect.

### 20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £125,000 (2007: £116,000).

### 21 Ultimate parent company

The immediate and ultimate parent company is Takao Kinzoku Kogyo Company Limited, a company incorporated in Japan. A copy of the group accounts can be obtained from that company's registered office at TAKAO KINZOKU KOGYO CO, OTSU41 MINAMITSUCHIYAMA, TSUCHIYAMA-CHO, KOGA-GUN, SHIGA pref. 528-01, JAPAN.